

Polk County Aviation Authority
Audited Financial Statements
and Required Supplementary Information
For the Years Ended June 30, 2008 and 2009



CONTENTS

	<u>Page</u>
Independent auditor's report	1
Management's discussion and analysis	2 - 7
Balance sheets	8
Statements of revenues, expenses and changes in net assets	9
Statements of cash flows	10
Notes to financial statements	11 - 16
Budgetary comparison schedule	17 - 19
Independent auditor's report on internal control over financial reporting and on compliance and on other matters based on an audit of financial statements performed in accordance with <i>Government Auditing Standards</i>	20 - 21
Summary schedule of prior audit findings	22
Schedule of findings	23 - 24

INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Polk County Aviation Authority
Ankeny, Iowa

We have audited the accompanying balance sheet of Polk County Aviation Authority as of June 30, 2009, and the related statements of revenues, expenses and changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of Polk County Aviation Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of Polk County Aviation Authority as of June 30, 2008 and for the year then ended were audited by other auditors, whose report dated November 21, 2008, expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Polk County Aviation Authority as of June 30, 2009, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 3, 2009 on our consideration of Polk County Aviation Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages 2 through 7 and 17 through 19 are not required parts of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Denman & Company, LLP

DENMAN & COMPANY, LLP

West Des Moines, Iowa
November 3, 2009

POLK COUNTY AVIATION AUTHORITY
Management's Discussion and Analysis
For the Year Ended June 30, 2009

The following discussion and analysis of the Polk County Aviation Authority's (the Authority) financial performance provides an introduction to the financial statements for the fiscal year ended June 30, 2009. It is intended to give the readers an overview of and additional insight into the financial activities of the Authority over the past year. This will be done most effectively by reading this discussion in conjunction with the information contained in the Authority's financial statements.

Overview of the Financial Statements

Following this discussion and analysis are the basic financial statements of the Authority together with the notes, which are essential to a full understanding of the data contained in the financial statements. The Authority's financial statements are designed to provide readers with a broad overview of the Authority's finances.

The *Balance Sheet* presents the Authority's financial position, in its entirety, as of June 30. All of the Authority's assets and liabilities are presented with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of the Authority's overall financial position.

The *Statement of Revenues, Expenses, and Changes in Net Assets* presents information showing how the Authority's net assets changed during the fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the cash flows. Thus, revenues and expenses are reported in this statement that will result in cash flows in future periods.

The *Statement of Cash Flows* relates to the flows of cash and cash equivalents. Consequently, only transactions that affect the Authority's cash accounts are reported in this statement. A reconciliation is provided at the bottom of this statement to assist in the understanding of the difference between cash flows from operating activities and operating income.

In addition to the basic financial statements and accompanying notes, this report also presents the *Supplemental Schedule of Revenues and Expenses – Budget versus Actual – Budget Basis*.

Financial Highlights

- The current assets of the Authority were \$2,761,088 while the current liabilities were \$271,777, a ratio of 10.2:1.
- The Authority's total assets decreased by \$163,163 and total liabilities decreased by \$191,075 from 2008.
- The assets of the Authority exceeded its liabilities at the close of the year by \$11,269,172 (net assets). Of this amount, \$1,418,006 is unrestricted net assets and may be used to meet the Authority's ongoing obligations, and \$1,276,442 is restricted for airport improvement projects.

POLK COUNTY AVIATION AUTHORITY
Management's Discussion and Analysis
For the Year Ended June 30, 2009

Financial Analysis

The following represents the Authority's financial position for the years ended June 30:

Net Assets

	2009	2008
Current assets	\$ 2,761,088	\$ 2,515,035
Capital assets	11,501,247	12,363,584
Other noncurrent assets	602,874	149,753
Total assets	<u>14,865,209</u>	<u>15,028,372</u>
Current liabilities	271,777	257,715
Noncurrent liabilities	3,324,260	3,529,397
Total liabilities	<u>3,596,037</u>	<u>3,787,112</u>
Invested in capital assets, net of related debt	8,574,724	8,788,804
Restricted	1,276,442	1,322,237
Unrestricted	1,418,006	1,130,219
Total net assets	<u>\$ 11,269,172</u>	<u>\$ 11,241,260</u>

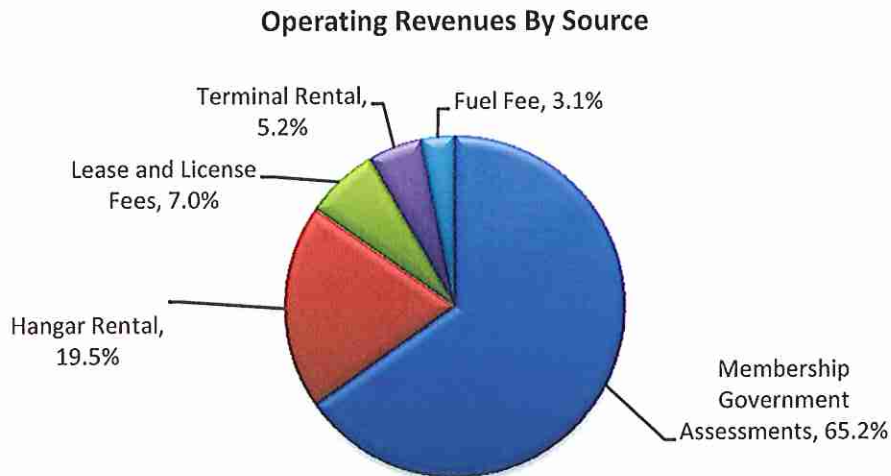
The following represents the Authority's summary of changes in net assets for the years ended June 30:

Changes In Net Assets

	2009	2008
Total operating revenues	\$ 834,134	\$ 784,904
Total operating expenses	188,502	207,513
Operating income before depreciation	645,632	577,391
Depreciation	862,337	835,846
Operating loss	(216,705)	(258,455)
Nonoperating income	27,664	82,830
Nonoperating expense	(236,217)	(245,274)
Capital contributions	453,170	18,371
Change in net assets	27,912	(402,528)
Net assets - beginning	11,241,260	11,643,788
Net assets - ending	<u>\$ 11,269,172</u>	<u>\$ 11,241,260</u>

POLK COUNTY AVIATION AUTHORITY
Management's Discussion and Analysis
For the Year Ended June 30, 2009

The following represents the Authority's summary of operating revenues for the year ended June 30, 2009:



- Member government assessments represent 65.2% of the Authority's operating revenue.
- Hangar rentals and terminal rentals are the second largest source for the Authority at 24.7% of operating revenue.

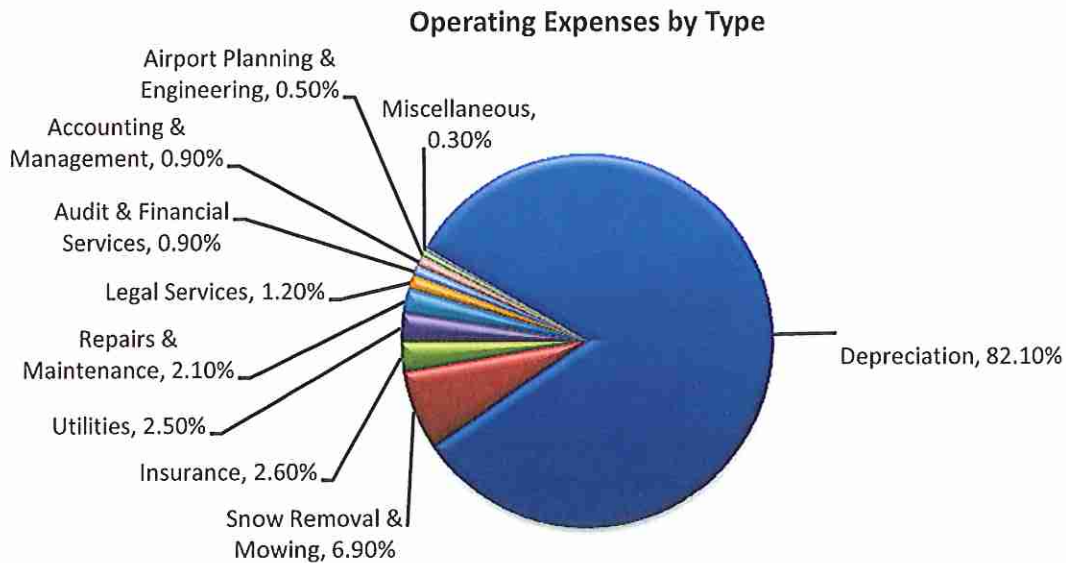
The following is a comparison of the Authority's operating revenues by source for the years ended June 30:

	Operating Revenues By Source	
	2009	2008
Member government assessments	\$ 543,946	\$ 499,814
Lease and license fee income	57,998	47,293
Fuel fee	26,215	34,884
Hangar rental income	162,560	156,919
Terminal rental income	43,415	45,994
Total operating revenues	<u>\$ 834,134</u>	<u>\$ 784,904</u>

- Total operating revenues increased by \$49,230 or 6.27%.
- Member government assessments increased by \$44,132 or 8.83%.
- Fuel fee revenue decreased by \$8,669 or 24.85%. Fuel fee revenue decreased due to changes in the economy which lead to decreased corporate jet traffic and charter flights.

POLK COUNTY AVIATION AUTHORITY
Management's Discussion and Analysis
For the Year Ended June 30, 2009

The following represents the Authority's summary of operating expenses including depreciation for the year ended June 30, 2009:



- Depreciation totaled \$862,337 and accounted for 82.10% of the Authority's expenses.
- None of the Authority's other expense types accounted for more than 6.90% of Authority's total expenses.

The following is a comparison of the Authority's operating expenses by type for the years ended June 30:

Operating Expenses By Type		
	2009	2008
Repairs and maintenance	\$ 21,995	\$ 29,154
Snow removal and mowing	72,989	82,474
Depreciation	862,337	835,846
Utilities	25,915	27,054
Insurance	27,824	28,015
Accounting and management services	9,157	7,710
Legal services	12,243	6,389
Audit and financial services	9,662	12,405
Airport planning and engineering	5,061	10,530
Miscellaneous	3,656	3,782
Total operating expenses	\$ 1,050,839	\$ 1,043,359

- Total operating expenses increased by \$7,480 or 0.72%.
- Legal services increased by \$5,854 or 91.63%. Legal services costs increased primarily due to the change in ownership of the Fixed Base Operator.

POLK COUNTY AVIATION AUTHORITY
Management's Discussion and Analysis
For the Year Ended June 30, 2009

- Repair and maintenance costs decreased by \$7,159 or 24.56%. Repair and Maintenance expenses returned to a more normal level in 2009 following an increase in beacon lighting repair costs in 2008.
- Snow removal and mowing costs decreased by \$9,485 or 11.50%. The Authority contracted with Polk County for snow removal services which resulted in a cost savings.

Capital Assets and Debt Administration

Capital Assets. The Authority's capital assets, net of accumulated depreciation, as of June 30, 2009, amounts to \$12,039,509. The Authority's capital assets include land, construction in progress, buildings, infrastructure, and equipment and furniture.

The total decrease in the Authority's capital assets for the current fiscal year was \$403,504 or 3.24%.

Major capital asset events during the current fiscal year included the following:

- Depreciation on capital assets was \$862,337.
- The Authority had entered into a contract for engineering services for the SE Four Mile Drive Relocation and Land Acquisition project. Construction in progress at June 30 was \$64,685.
- The Authority had entered into a contract to rehabilitate runway 18/36, connecting taxiways and apron. Construction in progress at June 30 was \$473,577.

The following represents the Authority's summary of capital assets for the years ended June 30:

	2009	2008
Land	\$ 4,614,647	\$ 4,614,647
Construction in progress	538,262	79,429
Parking lot improvements	81,576	81,576
Runway	7,988,807	7,988,807
Taxiway	3,451,882	3,451,882
Apron	1,611,719	1,611,719
Terminal building	758,141	758,141
Aviation museum	162,939	162,939
Equipment and furniture	82,076	82,076
Transmission line lighting	90,876	90,876
Field fence	47,399	47,399
T-hangars and access road	2,074,283	2,074,283
Taxiway (offset)	51,951	51,951
Total	21,554,558	21,095,725
Less accumulated depreciation	9,515,049	8,652,712
Net	<u>\$ 12,039,509</u>	<u>\$ 12,443,013</u>

POLK COUNTY AVIATION AUTHORITY
Management's Discussion and Analysis
For the Year Ended June 30, 2009

Additional information can be found on the Authority's capital assets in the notes to the financial statements on pages 13-14 of this report.

Long-Term Debt. At the end of the current fiscal year, the Authority had total bonded debt outstanding of \$3,780,000. All of these bonds were issued by Polk County, Iowa during fiscal year 2005 on behalf of the Authority. The Authority has entered into an agreement with Polk County, Iowa to repay the debt and all related costs of the bond issue.

The Authority's total long-term debt decreased by \$205,137 (5.81%) during fiscal year 2009. The decrease was primarily due to the re-payment of bond principal during the fiscal year.

Additional information on the Authority's long-term debt can be found in the notes to the financial statements on pages 14-15 of this report.

Budgetary Information

The Authority prepares an annual budget for all revenues and expenses. The budget is prepared on the cash basis of accounting, which is an accounting method not in conformance with accounting principles generally accepted in the United States of America. A reconciliation is included in the Required Supplementary Information on page 19 showing the differences between the budget basis revenues and expenses and the full accrual basis revenues and expenses.

- Change in net assets was greater than budgeted by \$52,478.
- Operating expenses were under budget by \$8,654.
- Interest income was over budget by \$1,143.
- Federal Aviation Authority grant revenue was over budget by \$51,504.

Authority Development Initiatives

The Authority is in the process of planning and designing the relocation of SE Four Mile Drive and acquiring the necessary land for the purpose of protecting the eastern clearance zone for runway 22.

The Authority is in the process of developing plans and identifying partners for the development of a corporate hangar and apron area on the southwest side of the airport.

Requests for Information

This financial report is designed to provide a general overview of the Authority's finances for all those with an interest in the Authority's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Polk County Aviation Authority, 410 West First Street, Ankeny, Iowa 50023.

POLK COUNTY AVIATION AUTHORITY

**Balance Sheets
June 30, 2009 and 2008**

	<u>2009</u>	<u>2008</u>
ASSETS		
Current assets		
Cash	\$ 1,462,105	\$ 1,175,957
Cash - restricted	1,206,856	1,301,220
Accounts receivable	85,865	31,644
Prepaid Insurance	6,262	6,214
	<u>2,761,088</u>	<u>2,515,035</u>
Noncurrent assets		
Capitalized bond issue costs - net of amortization of \$28,767 and \$23,056	64,612	70,324
Construction in progress	538,262	79,429
Property and equipment	11,501,247	12,363,584
	<u>12,104,121</u>	<u>12,513,337</u>
Total assets	<u><u>\$ 14,865,209</u></u>	<u><u>\$ 15,028,372</u></u>
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable	\$ 23,646	\$ 19,605
Interest payable	15,938	16,791
Deferred revenue	27,056	26,182
Current portion loans payable	235,000	225,000
Discount on loans payable	(2,557)	(2,557)
Advance refunding deferral	(27,306)	(27,306)
	<u>271,777</u>	<u>257,715</u>
Long-term debt		
Loans payable	3,545,000	3,780,000
Discount on loans payable	(25,215)	(27,772)
Advance refunding deferral - net of amortization of \$134,255 and \$103,949	(195,525)	(222,831)
	<u>3,324,260</u>	<u>3,529,397</u>
Total liabilities	3,596,037	3,787,112
Net assets		
Invested in capital assets, net of related debt	8,574,724	8,788,804
Restricted for airport improvement projects	1,276,442	1,322,237
Unrestricted	1,418,006	1,130,219
Total net assets	<u>11,269,172</u>	<u>11,241,260</u>
Total liabilities and net assets	<u><u>\$ 14,865,209</u></u>	<u><u>\$ 15,028,372</u></u>

See accompanying notes to financial statements.

POLK COUNTY AVIATION AUTHORITY

**Statements of Revenues, Expenses and Changes in Net Assets
For the Years Ended June 30, 2009 and 2008**

	<u>2009</u>	<u>2008</u>
Operating revenues		
Member government assessments	\$ 543,946	\$ 499,814
Lease and license fee income	57,998	47,293
Fuel fee	26,215	34,884
Hangar rental income	162,560	156,919
Terminal rental income	43,415	45,994
Total revenues	<u>834,134</u>	<u>784,904</u>
Operating expenses		
Operations		
Repairs and maintenance	21,995	29,154
Snow removal and mowing	72,989	82,474
Depreciation	862,337	835,846
Utilities	25,915	27,054
Insurance	20,293	20,525
Airport layout plan update and other engineering	5,061	10,530
	<u>1,008,590</u>	<u>1,005,583</u>
General and administration		
Accounting and management services	9,157	7,710
Legal services	12,243	6,389
Audit and financial services	9,662	12,405
Insurance	7,531	7,490
Miscellaneous	3,656	3,782
	<u>42,249</u>	<u>37,776</u>
Total operating expenses	<u>1,050,839</u>	<u>1,043,359</u>
Operating loss	(216,705)	(258,455)
Nonoperating income (expense)		
Investment Income	27,664	82,830
Amortization of bond costs and discount	(8,269)	(8,269)
Interest expense	(227,948)	(237,005)
Change in net assets before capital contributions	<u>(425,258)</u>	<u>(420,899)</u>
FAA grant for capital improvements	453,170	18,371
Change in net assets	27,912	(402,528)
Net assets - beginning of year	11,241,260	11,643,788
Net assets - end of year	<u>\$ 11,269,172</u>	<u>\$ 11,241,260</u>

See accompanying notes to financial statements

POLK COUNTY AVIATION AUTHORITY

**Statements of Cash Flows
For the Years Ended June 30, 2009 and 2008**

	<u>2009</u>	<u>2008</u>
Cash flows from operating activities:		
Member government assessments	\$ 543,946	\$ 499,814
Rental and fee income	283,911	288,725
Cash payments to suppliers for goods and services	<u>(183,010)</u>	<u>(208,468)</u>
Net cash provided by operating activities	644,847	580,071
Cash flows from capital and related financing activities:		
Outlay for property and equipment	(460,334)	(162,015)
Payment of bond principal	(225,000)	(200,000)
Payment of bond interest	(201,495)	(210,445)
Grant proceeds received	<u>406,102</u>	<u>79,612</u>
Net cash used in capital and related financing activities	(480,727)	(492,848)
Cash flows from investing activities:		
Investment income	<u>27,664</u>	<u>82,830</u>
Net increase in cash and cash equivalents	191,784	170,053
Cash and cash equivalents at beginning of year	1,175,957	972,084
Restricted cash and cash equivalents at beginning of year	<u>1,301,220</u>	<u>1,335,040</u>
Cash and cash equivalents at end of year	<u><u>\$ 2,668,961</u></u>	<u><u>\$ 2,477,177</u></u>
Reconciliation of operating loss to net cash provided by operating activities:		
Operating loss	\$ (216,705)	\$ (258,455)
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Depreciation	862,337	835,846
(Increase) decrease in accounts receivable	(7,152)	2,032
Decrease in prepaid Insurance	(48)	(74)
Increase (decrease) in accounts payable	5,541	(881)
Decrease in deferred revenue	<u>874</u>	<u>1,603</u>
Net cash provided by operating activities	<u><u>\$ 644,847</u></u>	<u><u>\$ 580,071</u></u>

See accompanying notes to financial statements.

POLK COUNTY AVIATION AUTHORITY

Notes to Financial Statements

June 30, 2009 and 2008

NOTE 1 - ORGANIZATION

The Polk County Aviation Authority was organized as an Aviation Authority under Chapter 330A of the Code of Iowa 1987. The Authority operates a municipal airport in Ankeny, Iowa. The member municipalities are the cities of Altoona, Ankeny, Bondurant, and the unincorporated area of Polk County. Through a 28E agreement, each member government contributes an annual levy based on the assessed value of taxable property in the municipality. The 28E agreements expire in the years 2020 and 2021. The breakdown of member government assessments for the year ended June 30, 2009 are \$63,855 from Altoona, \$253,085 from Ankeny, \$10,653 from Bondurant and \$216,353 from unincorporated Polk County. The breakdown of member government assessments for the year ended June 30, 2008 are \$61,114 from Altoona, \$232,140 from Ankeny, \$9,228 from Bondurant and \$197,332 from unincorporated Polk County.

The Board of Directors of the Authority consists of seven representatives of the member municipalities and area. The Board of Directors is composed of three representatives appointed by the Polk County Board of Supervisors; two representatives appointed by the mayor of Ankeny; one representative appointed by the mayor of Altoona; and one representative appointed by the mayor of Bondurant. Officers of the Authority as of June 30, 2009 are as follows: Chairperson - John Pighetti, Treasurer - Doug DeBolt and Secretary - Jeff Wangsness.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounts of the Authority are organized as an Enterprise Fund. Enterprise funds are used to account for operations financed and operated in a manner similar to private business enterprises.

The Authority prepares its financial statements using the economic resources measurement focus and the accrual basis of accounting. The Authority applies all GASB pronouncements as well as all Financial Accounting Standards Board pronouncements issued on or before November 30, 1989 unless those pronouncements conflict with or contradict GASB pronouncements.

The Authority treats all bank accounts and certificates of deposits and all other investments with an original maturity of three months or less as cash equivalents for presentation in the statements of cash flows.

Accounts receivable consists primarily of cost reimbursement and grant receivables from other governmental entities and T-hangar rentals. Management believes that all receivables are collectible and therefore no allowance is recorded.

Deferred revenue reflects payments received on hangar leases prior to the date due. The account is adjusted to record revenue in the month of the rental period.

Capitalized assets are accounted for at historical cost. The cost of repair and maintenance is charged as an expense, while the cost of renewals or substantial betterments is capitalized.

POLK COUNTY AVIATION AUTHORITY

Notes to Financial Statements

June 30, 2009 and 2008

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Expenses related to the purchase of land have been capitalized. These include purchase price, appraisal fees, legal fees and crop loss payments.

Expenses relating to construction are capitalized as construction in progress. These costs are capitalized and depreciated when the asset is placed in service.

Depreciation is recorded using the straight-line method over the estimated useful lives of the respective assets of five to twenty years.

The Loan Revenue Maintenance Agreement between Polk County, Iowa and the Authority requires the establishment of three funds as follows:

Project Fund - to account for proceeds from the sale of bonds and used to pay costs of the project, including administrative costs. Net assets restricted for airport improvements are \$1,276,442 and \$1,322,237 at June 30, 2009, and 2008, respectively.

Revenue Fund - to account for all revenues, fees, rentals or other charges or receipts derived from the services and facilities of the project. These funds may also be used to pay costs of operation of the airport.

Capital Reserve Fund - to account for receipt of all tax revenues levied by the members of the Authority and to pay bond principal and interest. These funds may also be used for payment of the costs of operation of the airport if and only to the extent funds available exceed the amount necessary for the payment of principal and interest on the bonds in any fiscal year.

Expenses relating to the bond issues and the discount on bonds have been capitalized and are being amortized over the life of the bonds.

The Authority's policy is to specifically identify which expenditures are paid from restricted funds when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

Operating income includes revenues and expenses related to the primary, continuing operations of the Authority. Principal operating revenues includes member government assessments and charges for rentals or services. Principal operating expenses are the costs of providing the rental or services and include administrative expenses and depreciation of capital assets. Grant revenues received for capital improvements, investment income and interest expense are classified as nonoperating in the financial statements.

The preparation of financial statements in accordance with generally accepted accounting principles requires the use of management's estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

POLK COUNTY AVIATION AUTHORITY

Notes to Financial Statements

June 30, 2009 and 2008

NOTE 3 – INVESTMENTS

State law and the bond agreements limit the investment vehicles that may be used by the Authority. Authorized investments include direct obligations of the United States government and its agencies, certificates of deposit, commercial paper, repurchase agreements, open-end management investment companies registered with the Securities and Exchange Commission, and Iowa Public Agency Investment Trust. There are further restrictions related to the ratings of the investments authorized.

The Authority is part of a state collateral pool that insures funds held for government entities by financial institutions. All of the Authority's funds are held in financial institutions. The investment policy of the Authority does not address concentration of credit risk.

NOTE 4 - PROPERTY AND EQUIPMENT

Property and equipment consists of the following:

	2008	Additions	Disposed	2009
Land	\$ 4,614,647	\$ -	\$ -	\$ 4,614,647
Parking lot improvements	81,576	-	-	81,576
Runway	7,988,807	-	-	7,988,807
Taxiway	3,451,882	-	-	3,451,882
Apron	1,611,719	-	-	1,611,719
Terminal building	758,141	-	-	758,141
Aviation museum	162,939	-	-	162,939
Equipment and furniture	82,076	-	-	82,076
T-Hangars, access road	2,074,283	-	-	2,074,283
Taxiway (offsite)	51,951	-	-	51,951
Transmission line lighting	90,876	-	-	90,876
Field fence replacement	47,399	-	-	47,399
Total	21,016,296	-	-	21,016,296
Accumulated depreciation	8,652,712	862,337	-	9,515,049
Net	<u>\$ 12,363,584</u>	<u>\$ (862,337)</u>	<u>\$ -</u>	<u>\$ 11,501,247</u>

The Authority received an ownership interest in the aviation museum which had been owned by a not-for-profit organization. The property was transferred in its entirety at completion and acceptance by the Board in accordance with the terms of the land license agreement. Depreciation expense of \$8,147 per year is included in the operating expenses for 2008 and 2009.

NOTE 5 - CONSTRUCTION IN PROGRESS AND COMMITMENTS

SE Four Mile Drive and Land Acquisition

The Authority has entered into a contract for engineering services for the SE Four Mile Drive Relocation project for \$211,603 and engineering related to the acquisition of land for runway

POLK COUNTY AVIATION AUTHORITY

Notes to Financial Statements

June 30, 2009 and 2008

NOTE 5 - CONSTRUCTION IN PROGRESS AND COMMITMENTS (CONTINUED)

protection zones, obstruction clearing and the SE Four Mile Drive relocation for \$105,880. Costs of \$64,685 have been incurred under the contracts as of June 30, 2009.

Rehabilitation of Runway 18/36, Connecting Taxiways and Apron

The Authority has entered into a contract for engineering services for the Rehabilitation of Runway 18/36, Connecting Taxiways and Apron Project for \$86,694 and a construction contract for \$333,519. The contract for engineering services was later increased by a \$53,665 change order bringing the total engineering cost to \$140,359. Costs of \$473,577 have been incurred under the contract as of June 30, 2009.

Grant Funding

The Authority has been approved for funding of 95% of the Rehabilitation of Runway 18/36, Connecting Taxiways and Apron costs to a maximum of \$450,184.

NOTE 6 - DEBT

Defeased Debt

On August 20, 1998, the Authority issued revenue bonds in the amount of \$2,000,000. The bonds are dated August 1, 1998 and call for semi-annual interest payments on the first day of June and December. The bonds have interest rates from 4.5% to 4.875%.

On August 10, 2000, the Authority issued revenue bonds in the amount of \$1,820,000. The bonds are dated August 1, 2000 and call for semi-annual interest payments on the first day of June and December. The bonds have interest rates from 6.0% to 6.25%.

An advance refunding of the bonds resulting in an in-substance defeasance of the debt occurred in July 2004 through the issuance of two new bond issues by Polk County, Iowa on behalf of the Authority. The Authority has entered into an agreement with Polk County, Iowa to repay the debt and all related costs of the bond issues. As of June 30, 2009, \$2,760,000 was still outstanding.

The net proceeds of \$3,343,994 (after payment of \$141,425 of underwriting fees and other issuance costs) were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 1998 and 2000 Series bonds. As a result, the 1998 and 2000 Series bonds are considered to be defeased and the liability for those bonds has been removed from the liabilities of the Authority. The amount of the defeased bonds outstanding to be paid from the escrow account was \$2,270,000 and \$2,445,000 at June 30, 2009 and 2008, respectively.

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$332,056. This difference, reported in the accompanying financial statements as a deduction from notes payable, is being charged to operations through the year 2020 using the straight-line method.

POLK COUNTY AVIATION AUTHORITY

Notes to Financial Statements

June 30, 2009 and 2008

NOTE 6 – DEBT (CONTINUED)

Outstanding Debt

Polk County, Iowa issued a new \$1,250,000 bond issue on behalf of the Authority on July 29, 2004. The proceeds will be used for capital improvements to the Airport. The Authority has entered into an agreement with Polk County, Iowa to repay the debt and all related costs of the bond issue. As of June 30, 2009, \$1,020,000 was still outstanding.

Loans payable at 6-30-07	\$ 4,205,000
Principal payment on loans FY08	(200,000)
Loans payable at 6-30-08	<u>\$ 4,005,000</u>
Principal payment on loans FY09	(225,000)
Loans payable at 6-30-09	<u>\$3,780,000</u>

The notes are secured by the full faith and credit of the Authority and Polk County.

The bonds issued in July 2004 related to the refunding of the bonds noted above and for capital improvements mature and bear interest as follows:

<u>Maturity (June 1)</u>	<u>Principal Amount</u>	<u>Interest Amount</u>	<u>Interest Rate</u>
2010	235,000	191,257	4.50% - 4.75%
2011	240,000	180,245	4.75% - 4.75%
2012	250,000	168,845	4.75% - 4.75%
2013	265,000	156,808	4.75% - 5.00%
2014	280,000	144,220	5.00% - 5.00%
2015 – 2019	1,675,000	492,405	5.05% - 5.25%
2020 - 2021	<u>835,000</u>	<u>66,413</u>	5.25% - 5.25%
	<u>\$3,780,000</u>	<u>\$1,400,193</u>	

Interest incurred on the notes for the years ended June 30, 2009 and 2008 was \$200,642 and \$209,699 respectively. Interest expense for the years ended June 30, 2009 and 2008 includes amortization of the advance refunding deferral of \$27,306.

NOTE 7 - RISK MANAGEMENT

Polk County Aviation Authority is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; environmental issues and natural disasters. These risks are covered by commercial insurance coverage. There have been no insurance claims filed for the past five years.

POLK COUNTY AVIATION AUTHORITY

Notes to Financial Statements

June 30, 2009 and 2008

NOTE 8- RELATED PARTY TRANSACTIONS

Management and accounting services are performed by City of Ankeny, a member government. Amounts paid for these services are reflected in the expense line items accounting and management services. A \$5,553 payable to the City of Ankeny for administrative services is included in accounts payable at June 30, 2009.

Polk County and the City of Ankeny have also issued grant funds to the Authority in prior years and Polk County has issued bonds on behalf of the Authority as described in Note 6.

The Authority had contracted with the fixed base operator for mowing services and with Polk County for snow removal services.

The Authority rents land to a Board member. In 2008, the lease was for 5.85 acres at \$50 per acre. In 2009 the lease was for 9.85 acres at \$50 per acre.

NOTE 9 - OTHER AGREEMENTS

The Authority entered into a land license agreement with an outside party for use of Authority property to construct and maintain an office building. The agreement calls for monthly lease payments of \$500 for a period of twenty-five years. Two five-year renewal options are allowed. The property, including buildings, reverts to the Authority at the termination of the agreement.

The Authority has entered into a twenty-year lease for a fixed base operator to serve the airport. The lease allows for two additional consecutive five-year options. Rent will be charged as follows:

Base rent..... \$1 per year

License fee..... \$3,500 per year beginning July 1, 2006,

\$4,000 per year beginning July 1, 2007,

\$4,500 per year beginning July 1, 2008

The license fee shall be renegotiated each five years thereafter

Fuel fee \$0.09 per gallon sold or consumed is charged after April 30, 2004

Hangar land rent... \$3,360 annually for 16,800 square feet commencing July 1, 2005 for a period of 15 years with 2 five year renewal options. The rent is adjusted annually based on the consumer price index. In 2009 the consumer price index was \$0.231 per square foot.

Building rent \$3,000 per month through December 31, 1999 and an annual calculation based on sublease income for the remaining 14 years.

The Authority receives lease income from 14 garages at \$95 per month each and 72 hangar units at \$170 per month each. The lease terms generally are for one annual period and subject to revision upon renewal.

SUPPLEMENTARY INFORMATION

POLK COUNTY AVIATION AUTHORITY

**Budgetary Comparison Schedule
For the Year Ended June 30, 2009**

	Original Budget	Final Budget	Actual	Over/Under Budget
Operating Revenues				
MEMBER GOVERNMENT CONTRIBUTIONS	543,946	543,946	543,946	-
LEASES AND FEES	43,885	44,000	43,987	(13)
FUEL INCOME	45,000	35,000	26,215	(8,785)
TERMINAL RENTAL/UTILITY INCOME	46,000	46,000	43,415	(2,585)
T-HANGAR RENTAL INCOME	162,000	160,000	162,560	2,560
Total Operating Revenues	840,831	828,946	820,123	(8,823)
Operating Expenses				
OFFSITE ACCOUNTING SERVICES	8,000	8,000	9,157	1,157
OVERHEAD-MANAGER & PUBLIC WORKS	400	400	566	166
FINANCIAL SERVICES	900	900	462	(438)
ADVERTISING AND PROMOTION	100	100	-	(100)
PUBLICATIONS	1,400	1,400	818	(582)
CONFERENCES AND SEMINARS	2,000	2,000	125	(1,875)
LEGAL SERVICES	8,000	12,000	12,243	243
AUDIT EXPENSES	9,800	9,800	9,200	(600)
GENERAL INSURANCE	7,500	7,500	6,642	(858)
PROPERTY INSURANCE	1,500	1,500	1,322	(178)
PUBLIC OFFICIALS INSURANCE	7,800	7,800	7,531	(269)
TRACTOR AND MOWER REPAIRS	750	750	-	(750)
SNOW AND MOWING	50,000	50,000	41,305	(8,695)
MAINTENANCE AND REPAIRS	20,000	20,000	12,827	(7,173)
NDB MAINTENANCE EXPENSE	550	550	-	(550)
UTILITIES	7,250	7,250	5,775	(1,475)
ENGINEERING - GENERAL	12,000	12,000	1,580	(10,420)
MISCELLANEOUS	550	550	222	(328)
T-HANGAR UTILITIES	7,350	7,350	8,130	780
T-HANGAR ADVERTISING AND PROMOTION	100	100	-	(100)
T-HANGAR PROPERTY INSURANCE	8,300	8,300	8,314	14
T-HANGAR SNOW AND MOWING	24,000	24,000	20,653	(3,347)
T-HANGAR MAINTENANCE AND REPAIRS	4,750	4,750	2,101	(2,649)
TERMINAL BUILDING PROPERTY INSURANCE	4,100	4,100	4,016	(84)
TERMINAL BUILDING SNOW AND MOWING	9,000	9,000	6,884	(2,116)
TERMINAL BUILDING MAINTENANCE AND REPAIRS	7,200	7,200	5,920	(1,280)
TERMINAL BUILDING UTILITIES	14,250	14,250	11,929	(2,321)
RUNWAY 22 RPZ ACQUISITION	5,634,024	-	2,675	2,675
RUNWAY 18/36 RUNWAY REHAB	634,200	422,806	454,242	31,436
NE 29 STREET ROADWAY REALIGNMENT	811,999	-	1,063	1,063
Total Operating Expenses	7,297,773	644,356	635,702	(8,654)

POLK COUNTY AVIATION AUTHORITY

Budgetary Comparison Schedule
For the Year Ended June 30, 2009

	Original Budget	Final Budget	Actual	Over/Under Budget
Other Income				
INTEREST INCOME	66,750	26,500	27,643	1,143
FAA REIMBURSEMENT	6,750,188	401,666	453,170	51,504
Total Other Income	6,816,938	428,166	480,813	52,647
Other Expenses				
BOND/LOAN PRINCIPAL	225,000	225,000	225,000	-
BOND/LOAN INTEREST	201,495	201,495	201,495	-
Total Other Expenses	426,495	426,495	426,495	-
Net Change in Net Assets	(66,499)	186,261	238,739	52,478
Net Assets - Beginning	2,466,991	2,452,456	2,452,456	-
Net Assets - Ending	2,400,492	2,638,717	2,691,195	52,478

Polk County Aviation Authority

**Explanation of Differences Between Budgetary
Basis and GAAP Basis Revenues and Expenses
For the Year Ended June 30, 2009**

Ordinary and other income:

Actual amount of ordinary income and other income on a budgetary basis from the budgetary comparison schedule \$ 1,300,936

On a budgetary basis, revenue is not recorded until the cash has been received. On a GAAP basis, revenues are recorded when they are earned and available. 14,033

Total GAAP basis ordinary and other income \$ 1,314,969

Ordinary and other expenses:

Actual amount of ordinary expenses and other expenses on a budgetary basis from the budgetary comparison schedule \$ 1,062,197

On a budgetary basis, expenditures are not recorded until the cash has been paid. On a GAAP basis, expenses are recorded as the liability is incurred. 9,928

Bond principal payments are recorded as an expenditure on a budgetary basis, but are not expensed on a GAAP basis. (225,000)

Bond issuance costs are expended and bond discounts are not recorded on a budgetary basis. These costs and discounts are recorded and amortized under GAAP. 35,575

Depreciation and losses on fixed assets are reported on a GAAP basis but are not recorded on a budgetary basis 862,337

Purchases of capital assets are reported as an expense on a budget basis but are capitalized and depreciated on a GAAP basis (457,980)

Total GAAP basis ordinary and other expenses 1,287,057

The notes to the required supplementary information are an integral part of this schedule.

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON
AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS**

The Board of Directors
Polk County Aviation Authority
Ankeny, Iowa

We have audited the financial statements of Polk County Aviation Authority as of and for the year ended June 30, 2009, and have issued our report thereon dated November 3, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Polk County Aviation Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weakness, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Polk County Aviation Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Comments involving statutory and other legal matters about the Authority's operations for the year ended June 30, 2009 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the Authority. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes. Those comments are presented in Part II of the accompanying schedule of findings.

This report, a public record by law, is intended solely for the information and use of the members and constituents of Polk County Aviation Authority and other parties to whom the Authority may report. This report is not intended to be and should not be used by anyone other than these specified parties.


DENMAN & COMPANY, LLP

West Des Moines, Iowa
November 3, 2009

**Polk County Aviation Authority
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year ended June 30, 2009**

<u>Findings</u>	<u>Status</u>	<u>Corrective Action Plan or Other Explanation</u>
Reportable Conditions in Internal Control		
08-1 One individual performs the opening of the mail, preparation of deposit tickets, recording of receipts and reconciliation of bank accounts.	Corrective action taken	
08-2 Auditor's proposed adjustments to record additional receivables, and to adjust prepaid expenses.	Corrective action taken	
Other Findings Related to Required Statutory Reporting		
None		

**Polk County Aviation Authority
SCHEDULE OF FINDINGS
Year ended June 30, 2009**

Part I—Findings Related to the Financial Statements

No matters regarding significant deficiencies, material weaknesses or instances of noncompliance relative to the financial statements were reported.

**Polk County Aviation Authority
SCHEDULE OF FINDINGS
Year ended June 30, 2009**

Part II—Findings Related to Required Statutory Reporting

09-II-A QUESTIONABLE EXPENSES

No questionable expenditures of Authority funds were noted.

09-II-B TRAVEL EXPENSE

No expenditures of Authority money for travel expenses of spouses of Authority officials or employees were noted.

09-II-C BOARD MINUTES

The following was noted regarding the Board minutes:

Finding

The Authority did not publish the proceedings of each regular, adjourned, or special meeting of the board in at least one newspaper published in the Authority within two weeks following the adjournment of the meeting.

Recommendation

Proceedings of regular, adjourned or special meeting of the board should be published in at least one newspaper published in the Authority within two weeks following the adjournment of the meeting in accordance with Chapter 279.35 & 279.36.

Response and corrective action plan

The Authority will make every attempt to publish minutes on a timely basis.

Conclusion

Response accepted.

09-II-D DEPOSITS AND INVESTMENTS

No instances on noncompliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the Authority's investment policy were noted.